Edmonton International Industries Ltd.

Annual Report

1982

Edmonton International Industries Ltd.

Corporate Information

Directors

D.W. Bennett
B.L. Lambert
K.H. Lambert
L.T. Lambert
R. Melchin
W.A. Pratt
W. Shandro
R. Sloane

Officers

L.T. Lambert	Chairman
K.H. Lambert	President
B.L. Lambert	Vice President-Treasurer
R. Sloane	Vice President
W. Shandro	Secretary

Head Office

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Officers and Management of Odyssey Resources Group

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B.L. Lambert	Vice President
L.C. Lambert	Secretary-Treasurer

Head Office

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Officers and Management of SDS Drilling Group

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D.W. Bennett	President-General Manager
R. Wilderman	Operations Manager
L. Zschockelt	Foreign Operations Manager
A.E. Vollendorf	Contracts Manager
J.D. Sutherland	Secretary-Treasurer

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Officers and Management of Allwest Petroleum

J.E. Sawatske	President-General Manager
B.L. Lambert	Vice President
J. Chebuk	Operations Manager

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Listed

Alberta Stock Exchange

EDMONTON INTERNATIONAL INDUSTRIES LTD.

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EDMONTON, ALBERTA,
CANADA T5M 2Y8
Telephone (403) 454-4227

PRESS RELEASE

Contact: D. W. Bennett (403) 287-1460 March 21, 1983

Edmonton International Industries Ltd. announces that its 50% owned subsidiary SDS Drilling Ltd., of Calgary, and Hydrogeo Canada Inc., of Montreal, recently formed a joint venture in the name of SDS - HYDROGEO OF CANADA and have been awarded a major water well drilling contract in northern Nigeria.

The contract is with the Sokoto Agricultural Development Project, Nigeria which is funded by a loan to the Sokoto State Government and the Federal Government of Nigeria by the International Bank for Reconstruction and Development of Washington D.C., (the World Bank). Payment of Joint Venture invoices for work performed under the contract will come directly from the World Bank in Washington.

The contract requires the drilling of 1200 water wells along with the installation of hand pumps for the supply of potable water to the local people residing in small villages throughout the State.

Work on this contract is scheduled to commence in June 1983 and to be completed by June 1985. The total contract value is in excess of 30 million Canadian dollars.

Hydrogeo Canada Inc. is a wholly owned subsidiary of Lavalin Inc. of Montreal.

Edmonton International Industries Ltd. is a public company whose shares are listed for trading on the Alberta Stock Exchange.

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Edmonton International Industries Ltd.

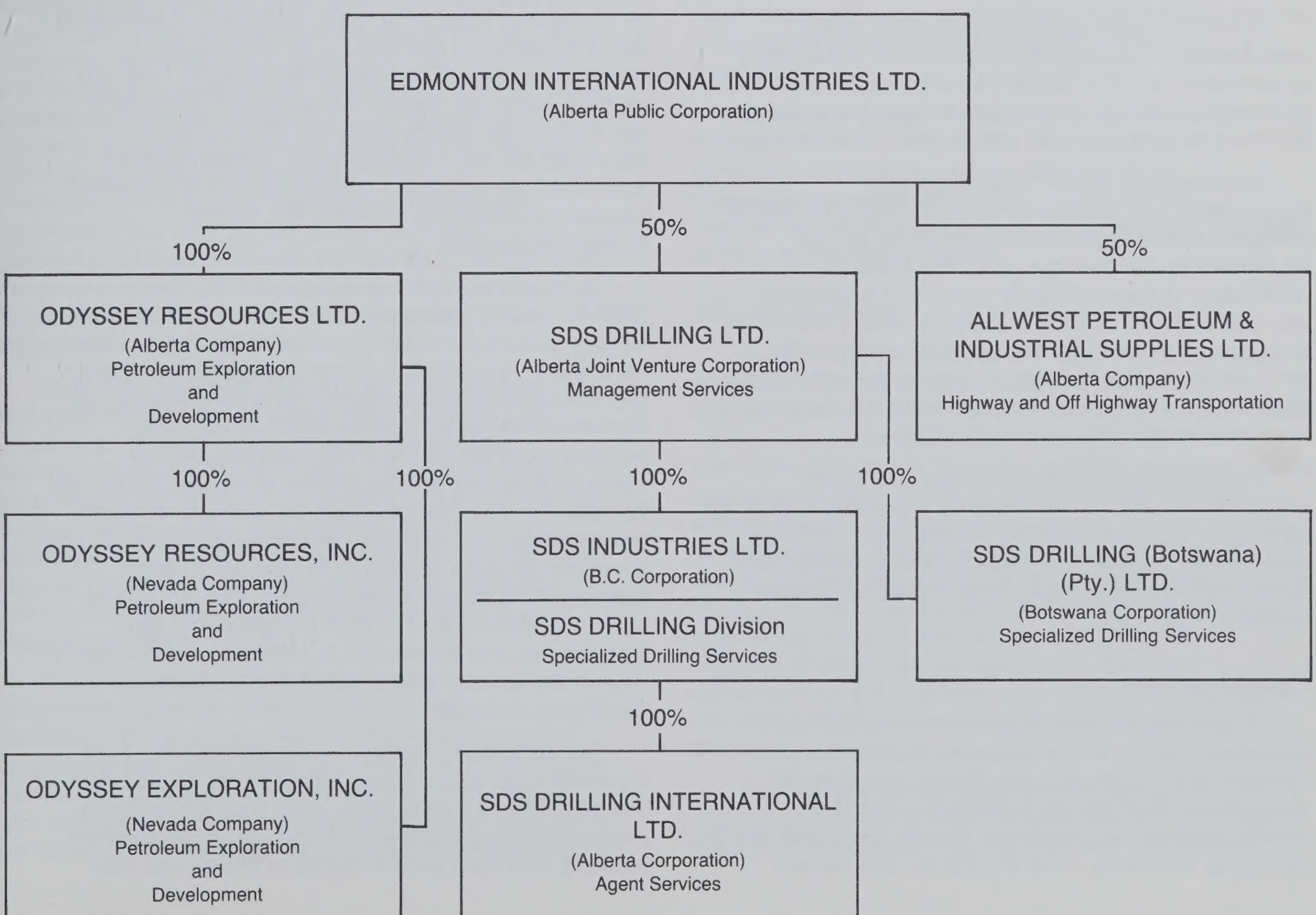
Financial Highlights

Year Ended November 30

	1982	1981	1980	1979	1978	1977
Gross revenues	**$10,432,298**	$16,019,869	$18,818,806	$19,471,656	$16,070,624	$11,263,566
Income before extraordinary items	**$ (379,848)**	$ 274,775	$ 462,730	$ 679,772	$ 484,179	$ 570,603
Income (loss) after extraordinary items	**$ (1,944,263)**	$ (1,955,822)	$ 2,352,389	$ 907,346	$ 546,819	$ 765,663
Cash flow from operations	**$ 12,476**	$ 1,384,327	$ 1,117,676	$ 1,547,911	$ 1,133,258	$ 1,286,790
Earnings (loss) per share*						
before extraordinary items	**$ (.13)**	$ .05	$ .12	$ .21	$ .15	$ .17
after extraordinary items	**$ (.58)**	$ (.58)	$ .63	$ .27	$ .17	$ .23
Average common shares outstanding	**3,525,000**	3,525,000	3,431,250	3,300,000	3,300,000	3,300,000
Common shares outstanding at year end		3,525,000	3,525,000	3,300,000	3,300,000	3,300,000
Working capital	**$ (2,388,226)**	$ 1,551,187	$ 3,944,523	$ 3,385,032	$ 3,766,665	$ 2,942,790
Total assets	**$14,000,531**	$20,739,864	$18,642,657	$17,237,316	$14,295,430	$11,217,449
Shareholders' equity	**$ 5,895,421**	$ 7,929,684	$ 9,975,506	$ 6,063,117	$ 5,155,771	$ 4,604,666

*based on average common shares outstanding fully diluted

Corporate Structure



Report to Shareholders

During the year ending November 30, 1982 Edmonton International Industries Ltd. suffered considerably as a result of the high interest rates and the depressed state of the oil and gas service industry. This situation directly impacted two companies in which your company has an equity interest and eroded the market for the products sold by the Tract Equipment division. On the positive side the company's 50% owned drilling subsidiary, in joint venture with another corporation, bid on a $30,000,000 international contract sponsored by the World Bank which was subsequently awarded and which should positively impact the company's earnings and working capital position during fiscal 1983 and 1984. Also the company's oil and gas assets, particularly those located in the United States, have maintained their value and are currently the subject of a takeover offer, which, when accepted later this month, should result in a profit to the company of about $1,000,000.

Financial

In the 12 months ended November 30, 1982, consolidated gross revenues declined to $10,432,298 as compared with $16,182,632 for the previous year and the consolidated loss before extraordinary items was $379,848 as compared with a profit of $274,775 last year.

The company realized a consolidated extraordinary loss of $1,564,415 for the reporting year as compared with consolidated extraordinary loss of $2,230,597 for the previous year. The major factors contributing to the extraordinary loss for the reporting year was the write off of $1,200,000 relating to advances and guarantees given by the company to support its 50% owned trucking subsidiary, and the net write off of $364,415 relating to guarantees given by the company to support its 33% owned seismic affiliate.

Consolidated loss per share was $.13 before extraordinary items for the reporting year as compared with earnings of $.05 per share the previous year while the consolidated loss per share was $.58 after extraordinary items for the reporting year, the same as that reported for the previous year.

Tract Equipment

The company's principal business was its Tract Equipment division which distributed Bombardier Inc. recreational products including Skidoo and Moto Ski snowmobiles and Can Am motorcycles with their related parts and accessories in Alberta, the Yukon and the Northwest Territories. Tract Equipment also retailed Bombardier Inc. industrial tracked vehicles and their related parts and accessories in Alberta, Saskatchewan, the Yukon and the Northwest Territories. Tract Equipment contributed $7,048,294 in sales for the seven months ending June 30, 1982 at which time its operation was discontinued. This compares with $11,752,733 in sales for the year ending November 30, 1981. The division recorded a pre-tax loss of $637,488 including expenses incurred upon winding up the division during the current fiscal period as compared with a $425,150 pre-tax profit for the previous year.

This business had been a constant worry to management over the years as its financial success was dependent to a large extent on the snow conditions during the snowmobile selling season and on management's skill in forecasting the future sales as inventory orders had to be placed and inventory purchased many months in advance. The depressed state of Alberta's economy coupled with high interest rates during 1982 and a very uncertain future, particularly for non-essential recreational items, added a new dimension of risk of a magnitude never faced by the company before. During the 12 months ended April 30, 1982, the average month end capital tied up in Tract Equipment was $4,950,000 and the peak was $6,752,000 on November 30, 1981. At the interest rates prevailing in June 1982, the before tax opportunity cost of the capital required to operate the business was almost $1,000,000 per year.

Upon examining the projected sales for the 1982-83 season it became evident that at best the current territory could not produce the sales necessary to cover the company's overheads. A more pessimistic projection saw the season-end inventories rising considerably, the percentage of losses resulting from bad accounts increasing dramatically and the possibility that the company might not be able to meet its obligations as they became due. The company was not prepared to accept this possibility and attempted to expand its territory in order to ensure the sales necessary to maintain a viable business. Unfortunately, the company was not able to obtain additional territory. Thus an agreement was reached with Bombardier Inc. to relinquish the franchises back to Bombardier and to shut down the Tract Equipment business.

Pursuant to the agreement with Bombardier, Tract Equipment has sold at prices ranging from 85% to 100% of Tract Equipment's book value, all of Tract Equipment's inventory, recourse receivables and contingent liabilities resulting from third party financing of dealer floor plan

inventories. This sale, combined with the collection of the majority of Tract Equipment's accounts receivable resulted in the company being able to reduce its bank loans significantly as well as being able to reduce significantly the lines of bank credit required by the company in order to carry on its activities.

Tract Equipment had been in business for 28 years and had developed a strong, loyal staff of over 25 employees who averaged almost 10 years experience with the company. It was with great regret that this business was closed and that the careers of so many fine people were terminated. The policies of Mr. Trudeau and his federal government drove interest rates to historical levels, destroyed the vibrant Alberta oil and gas service industries and precluded the construction of the Alsands and Cold Lake projects. Unfortunately, our Tract Equipment division was unable to function under such circumstances and the company had no other recourse but to shut the division down.

SDS Drilling Group

During the year ending October 31, 1982, the company's 50% share of SDS's revenues amounted to $3,219,386 which resulted in net income of $39,160 as compared with revenues of $4,484,975 and net income of $102,686 the previous year. The decline in revenue and income is attributable to the decline in the state of the economy from that experienced during the previous year. SDS has taken severe measures to reduce its overheads and its current break even revenues are significantly less than the break even revenues required in prior years despite the very much thinner profit margins resulting from the state of the economy and the more aggressive competition experienced at the present time.

During the year SDS formed a joint venture with Hydrogeo Canada Inc., a wholly owned subsidiary of Lavalin Inc., a major engineering company based in Montreal, Quebec. This joint venture bid on two large water-well drilling contracts sponsored by the International Bank of Reconstruction and Development of Washington, D.C. (the World Bank) for the Government of Nigeria. The joint venture was low bidder on both jobs, the first of which was awarded to the joint venture on February 28, 1983.

The contract, which has a gross value in excess of thirty million Canadian dollars is with the Sokoto Agricultural Development Project. This project is funded by a loan to the Sokoto State Government and the Federal Government of Nigeria by the World Bank. Payment of joint venture invoices for work performed under the contract will come directly from the World bank in Washington in Canadian currency. The contract requires the drilling of 1200 water wells along with the installation of hand pumps for the supply of potable water to the local people residing in small villages throughout the state. Work on this contract is scheduled to commence in June 1983 and to be completed by June 1985.

SDS has sold over $1,300,000 worth of its present inventory and equipment fleet to the joint venture for export to Nigeria. Management of Edmonton International Industries Ltd. believes that its share of the cash flow from this job over the next two years combined with the planned repayment of $1,200,000 in SDS debentures held by the company will be sufficient to meet all of the company's current liabilities without recourse to any of the company's other assets.

The second Nigerian job, estimated to be worth in excess of forty million Canadian dollars, was retendered and the SDS joint venture was within a few percentage points of the low bidder on the second submission. Because the award of these jobs is not based entirely on the lowest price, but takes into consideration such factors as scheduling, method of operation, past experience and tender qualifications, SDS believes that the joint venture still has a reasonable chance to be awarded this job.

Because the level of activity for SDS in Canada for the forseeable future is expected to be low, SDS is continuing to review the job opportunities in the international marketplace and is paying particular attention to opportunities provided by World Bank financing of Third World drilling projects.

Seismic Operations

In June of 1980 the company acquired a 33% equity interest in Reynolds Exploration Ltd. of Calgary, Alberta. Reynolds in turn owns a 45% equity interest in Skyline Exploration, Inc. of Salt Lake City, Utah. At the time of the acquisition, Reynolds operated a tracked vehicle and wheeled vehicle seismic crew in Canada and the United States. It subsequently moved its operations to the United States as a result of the slow down in Canadian activity following the release of the Canadian National Energy Program. Skyline operated a helicopter portable crew in the United States. The purchase price of the Reynolds interest was nominal but the company advanced funds to Reynolds to be used as working capital and arranged a bank line of credit for Reynolds and Skyline.

Both companies fell victim to the slowdown in oil and gas exploration in North America and their operations have been terminated. The company has written off a

$430,484 advance to Reynolds and is jointly and severally liable with Reynolds' other shareholders as a guarantor of a $1,200,000 Reynolds' bank loan, $400,000 of which the company has written off during the current fiscal period. Reynolds has an equity interest in over 1,600 miles of seismic data in North Dakota and it is anticipated that the sale of this data will retire the bank loan and will ultimately enable the recovery of some of the advances previously written off.

The company is presently contemplating assisting Reynolds to enter the oil and gas development business in the United States to give Reynolds the opportunity to repay its bank loans and other liabilities at a rate faster than that possible by the sale of seismic data alone.

The company is also contingently liable as a guarantor of Skyline's bank loan in the amount of $713,930 U.S. Skyline has assets and receivables in the United States, secured by the bank but the bank's security is being challenged by the receiver.

N. Pedersen Transport Ltd.

The company had a 50% equity in a heavy equipment and oil field trucking operation which it acquired from the SDS Drilling Group as a result of a reorganization within SDS. The trucking operation, which was the result of an amalgamation of four companies now known as N. Pedersen Transport Ltd., experienced severe financial difficulties and the company's share of the before tax losses for the fiscal period ending November 30, 1981 amounted to $462,648. N. Pedersen Transport had excellent operating authorities and was in a good position to service the industry provided that it could solve its financial problems.

Top management was replaced and our company was prepared to guarantee its pro-rata share of the capital required to keep N. Pedersen in business. However, the bank insisted on a 100% guarantee which the company was not prepared to provide. The bank then put N. Pedersen into the hands of a receiver-manager who, in the company's opinion, proved to be incapable of managing the operations. The bank decided to liquidate the operations and Edmonton International Industries Ltd. may be liable for 50% of the bank's shortfall after the bank has realized on all of its security granted pursuant to a loan to N. Pedersen.

The company has provided for an $800,000 loss during the fiscal year ended November 30, 1982 to cover the company's estimate of 50% of the bank's shortfall and also has written off a $400,000 advance to N. Pedersen Transport Ltd. during the same period.

Edmonton International Industries Ltd. also guaranteed 50% of N. Pedersen's liabilities to two financial institutions relating to the purchase or lease of nine oil field trucks. When N. Pedersen's assets were auctioned, the apparent market value of these trucks was substantially less than the liabilities associated with the contracts. To avoid facing any shortfall on the sale of these trucks, the company acquired a 50% equity interest in Allwest Petroleum & Industrial Supplies Ltd. which assumed the obligations under the contracts relating to the nine trucks and went into the trucking business. Allwest is managed by the personnel brought into N. Pedersen Transport prior to the bank taking over the management of that company. Allwest has been operating at a profit since it commenced operations in November of 1982. It is the company's intention to sell its interest in Allwest if a buyer can be found or to operate Allwest until the obligations under the financial contracts have been satisfied.

Oil and Gas Exploration and Development

The company, through Odyssey Resources Ltd. in Canada and Odyssey Resources, Inc. in the United States has been actively involved in the search for hydrocarbons. All of Odyssey's operations are conducted through joint ventures with Coho Resources Limited and have the benefit of Coho's advanced geophysical technology and Coho's highly regarded exploration team. Odyssey's philosophy is to acquire small interests in numerous plays that are operated by Coho or Coho's industry partners. This approach results in a nominal overhead yet a maximum amount of exposure with a minimum amount of risk on a well-by-well basis. Odyssey participates with Coho through Coho sponsored programs in which third parties participate. In particular, Odyssey is a $1,200,000 U.S. participant in Coho's $16,000,000 U.S. CRI-81 Land Program and a $1,060,000 venturer with the $2,120,000 Coho 80-1 Energy Program, both of which are dedicated primarily to U.S. operations.

U.S. Land Program

Odyssey has invested approximately $600,000 in lands in the United States with Coho under the CRI-81 Land Program. Because of the change in the economic environment, the program has suspended its acquisition activities and is concentrating on exploring some of its land holdings.

The company's U.S. exploration acreage is composed as follows:

EXPLORATION ACREAGE

Place	Gross Acres	Net Acres
Colorado	205,909	5,283
Kansas	8,287	466
Louisiana	3,094	232
Michigan	150,000	2,870
Montana	23,742	1,618
Texas	42,760	2,247
Total United States acreage	433,792	12,716

The following is a description of some of the more exciting exploration plays in which the company has an interest:

Big Hill Salt Dome, Texas

Odyssey has a 3.75% interest in 1,432 acres on the flanks of the Big Hill Salt Dome in Texas and plans to participate in the acquisition of a further 960 acres. The Dome has been productive since 1950 and over 250 billion cubic feet (BCF) of gas and 10 million barrels (MMBBL) of oil have been produced on or off the flanks of the Dome.

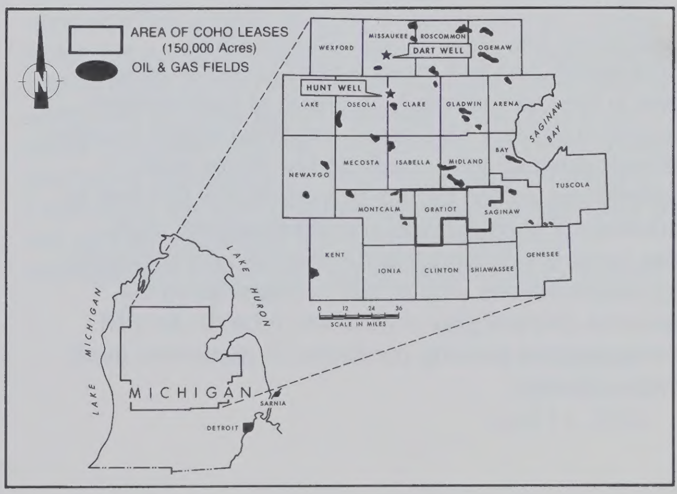
In 1956, a well located on Odyssey lands, the Austral Mary B-1 Fowler was drilled and tested 3,240 feet of oil, sand and shale from the overpressured Hackberry section. The Hackberry sand is unconsolidated and tends to flow with the hydrocarbons. Following unsuccessful attempts to 'screen' the sand, the well was abandoned.

A seismic program is planned for the second quarter and a well to test the same Hackberry sand section which was tested in the Mary Fowler well is planned for late 1983 or early 1984.

SCALE : 1 Mile   N

Michigan

The Michigan basin has been known for many years as a region characterized by shallow Middle-Upper Devonian oil and gas production, such production being concentrated primarily around the margins of the basin. A recent discovery some 600 feet from a parcel of Odyssey's acreage in Montcalm County was production tested in excess of 100 barrels of oil per day from the Dundee formation at a depth of approximately 2,500 feet. The deeper central portions of the basin are virtually unexplored in the zones below the Middle-Upper Devonian production, although shallow hydrocarbon production has now been proved throughout the basin. A deep well in the northern part of the basin established gas production which appears to be from Cambrian dolomitic



sediments on the eastern flanks of the mid-Michigan PreCambrian basement ridge at depths in the 11,000 to 13,000 foot range. Odyssey has a 1.9% interest in a 150,000 gross acre (2,870 net acre) land package which has been assembled in Montcalm, Gratiot, Saginaw and Clinton counties, on trend with the deep gas discovery which has been reported some 30 miles to the north.

Odyssey has participated in a seismic survey which partially covered Odyssey's acreage and which will facilitate seismic detailing to be carried out in the future.

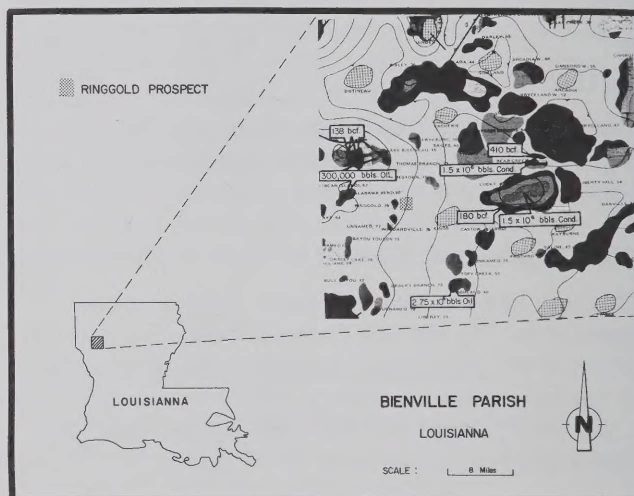
Odyssey's acreage holdings in the Michigan Basin have a ten year primary lease term and are 80% net revenue interest leases.

Ringgold, Bienville Parish, Louisiana

Odyssey has a 7.5% interest in some 3,071 net leased acres in Bienville Parish in northwestern Louisiana.

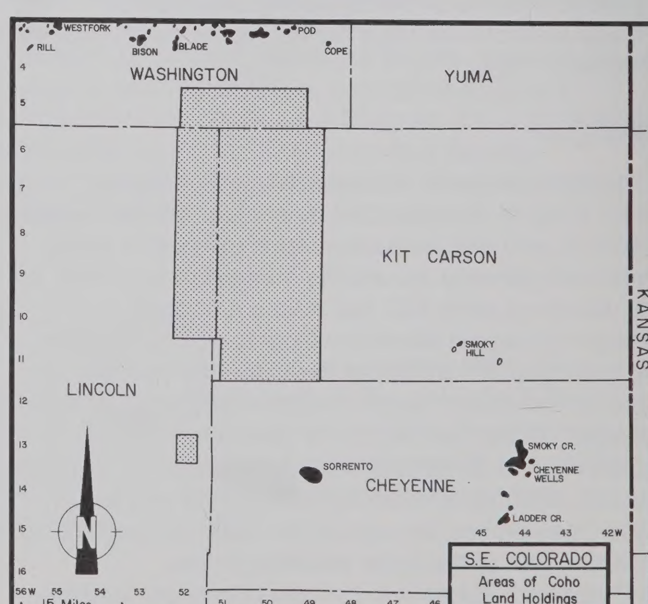
The area is one of prolific production from both the Cretaceous and Jurassic formations. Nearby fields are Bear Creek which to date has produced 410 BCF of gas and 1.5 MMBBL of oil; the Lucky field which has produced 180 BCF of gas and 1.5 MMBBL of oil; and Lake Bistineau field which has produced 138 BCF of gas. Production exists from 2,000 feet to 9,000 feet.

Odyssey has participated in a 30 mile seismic program over its land and numerous plays have emerged as a result of the survey. Drillable targets have been identified in the Tuscaloosa, Rodessa, James Lime and Smackover. The most interesting play to emerge has been in the Hosston section which has been the most prolific in the area. Coho, the operator, has identified a possible trapping condition in the Hosston on its lands similar to nearby Hosston producing fields which have produced in the region of one trillion cubic feet of gas. Odyssey plans to participate in a 10,000 foot well in 1983 to test the Hosston and Cotton Valley zones on these lands. A second well to 7,000 feet is also planned to test the Tuscaloosa and Rodessa zones which seismically appear to be anomalous on this acreage. The Tuscaloosa and Rodessa zones are prospective for oil.



Las Animas Arch, Colorado

Odyssey has acquired a 2.5% interest in approximately 143,649 gross acres (3,590 net acres) of leases in the Las Animas Arch region of southeastern Colorado in Lincoln, Kit Carson and Washington counties. A seismic program was conducted on these lands in 1982 to locate drilling targets to a depth of 6,500 feet in Cretaceous, Pennsylvanian and Mississippian rocks. These lands are prospective for channel and shoestring sand accumulations very similar in character to the Glauconite channel play of southern Alberta. An infill seismic program is being conducted to determine exact drillable locations.



COHO 80-1 ENERGY PROGRAM — SALE TO COHO RESOURCES LIMITED

Based on an independent engineering evaluation as of March 1, 1983, Odyssey, through its participation in the Coho 80-1 Energy Program, has developed proved and probable oil and gas reserves with an estimated future net cash flow of $10,275,000 undiscounted and $3,380,000 discounted at 15%. Coho Resources Limited in an offer dated March 24, 1983, has offered to purchase these assets for 403,860 class A common shares of Coho Resources Limited. Odyssey has decided to accept this offer prior to the Federal Government budget speech on April 19, 1983.

To facilitate the acceptance of this offer, Odyssey Resources Ltd. has incorporated a new Nevada subsidiary, Odyssey Exploration, Inc. which will purchase the CRI-81 Land Program interest from Odyssey Resources, Inc. Odyssey Resources, Inc. will then be sold to Coho. Because Odyssey Resources, Inc. will contain some U.S. tax credits in addition to the Coho 80-1 assets, the final purchase price for the Coho 80-1 assets plus Odyssey Resources, Inc. will be approximately 464,000 class A common shares of Coho. This transaction will result in a tax-free gain to Odyssey of approximately $1,000,000, will reduce the company's working capital deficiency by about $600,000 and will give the company an additional $2,320,000 in marketable securities assuming a market price of $5.00 per Coho class A common share.

COHO RESOURCES LIMITED

Edmonton International Industries Ltd. is the largest shareholder of Coho Resources Limited, a Calgary based oil and gas exploration company which has operations in Canada, the United States and Australia. The Coho class A common shares are listed for trading on the Alberta and Toronto Stock Exchanges. The company presently holds 152,870 class A and 329,503 class B common shares of Coho carrying 14.2% of the voting rights of its outstanding equity shares. In addition, the company owns $3,230,810 face value of Coho $10 par value convertible preferred shares which pay annual dividends amounting to $321,660 per year. These preferred shares are convertible into 353,532 class A common shares of Coho. Following the acceptance of the Coho offer relating to Odyssey's Coho 80-1 assets, the company will have approximately 946,000 common shares of Coho representing 14.6% of the voting rights of the outstanding equity shares of Coho assuming Coho's March 24, 1983 offers to acquire all of its managed land and drilling programs are 100% successful. To the extent that the offers are less successful, the company's share of the votes will increase.

The above shareholdings include 61,774 Series A $10 par value convertible second preference shares which pay dividends at the rate of 14% per annum. These second preferred shares were received by the company upon the disposition to Coho in July, 1982, of the company's investment in Osprey Resources Limited which the company purchased in March of 1981 for $552,000. Your management is very excited about the upside potential of Coho over the ensuing years and regards this asset as one of the most important held by the company.

CONCLUSION

Notwithstanding the weakened financial condition the company is experiencing resulting from the disastrous adventure into the oil and gas service business, the company still possesses three very exciting assets which management believes will generate handsome profits for the company's shareholders. The company's interest in SDS should generate sufficient short-term cash flow from its World Bank contract to meet the company's current needs. The company's investment in the U.S. oil and gas exploration lands has the potential to generate significant intermediate and long-term cash flow which could be available for dividends to the company's shareholders if the Board so directs. Finally, the company has a large stake in Coho Resources Limited which the company regards as a long-term appreciating capital asset. Coho has several excellent plays, each of which has the potential of elevating Coho beyond the ranks of a junior explorer. Additionally, Coho has a fine, dedicated, maturing staff which is capable of directing Coho along the path of above average success. Only time will tell how successful the company will be but management is optimistic about the company's future.

K.H. Lambert
President
April 11, 1983

Edmonton International Industries Ltd.

Consolidated Balance Sheet

November 30, 1982

ASSETS

	1982	1981
CURRENT ASSETS		
Marketable securities, at cost (market value — $93,426; 1981 — $82,500)	$ 55,356	$ 84,685
Accounts receivable (Note 16)	1,253,162	3,527,641
Current portion of notes receivable	122,940	308,686
Current portion of investments and advances	230,000	230,000
Inventories	881,110	5,673,184
Other	35,704	85,755
Due from affiliated companies	123,472	—
	2,701,744	9,909,951
NOTES RECEIVABLE (Note 3)	—	117,670
INVESTMENTS AND ADVANCES (Note 4)	6,334,933	5,878,373
OIL AND GAS PROPERTIES (Note 5)	2,555,255	2,170,848
MINING PROPERTIES	166,016	202,785
PROPERTY AND EQUIPMENT (Note 6)	2,239,160	2,411,797
OTHER ASSETS	3,423	48,440
	$14,000,531	$20,739,864

LIABILITIES

	1982	1981
CURRENT LIABILITIES		
Bank indebtedness (Note 7)	$ 2,397,018	$ 2,977,794
Accounts payable and accrued charges	1,650,452	3,695,970
Current portion of long-term debt	1,042,500	1,685,000
	5,089,970	8,358,764
LONG-TERM DEBT (Note 8)	3,015,140	4,451,416
CONTINGENCIES (Note 9)	8,105,110	12,810,180

SHAREHOLDERS' EQUITY

	1982	1981
SHARE CAPITAL (Note 10)	4,572,510	4,572,510
RETAINED EARNINGS	1,322,911	3,357,174
	5,895,421	7,929,684
	$14,000,531	$20,739,864

Approved by the Board:

"K. H. Lambert" Director

"L. T." Lambert Director

Edmonton International Industries Ltd.

Consolidated Statement of Loss and Retained Earnings

Year Ended November 30, 1982

	1982	1981
INCOME		
Sale of products and contract revenue	**$10,296,820**	$16,021,002
Interest	**135,478**	161,630
	10,432,298	16,182,632
EXPENSES		
Cost of sales, selling, general and administrative	**9,429,112**	14,066,311
Amortization of goodwill and distributor contracts	—	100,000
Depreciation and depletion	**295,889**	269,640
Interest on long-term debt	**585,618**	684,014
Other interest	**684,937**	493,077
	10,995,556	15,613,042
(LOSS) INCOME FROM OPERATIONS	**(563,258)**	569,590
OTHER INCOME (CHARGES)		
Dividends	**253,388**	282,516
Gain on sale of marketable securities	**3,714**	162,581
Share of loss of discontinued company	—	(276,890)
Share of losses of partly-owned companies	—	(462,648)
Loss on foreign exchange transactions	**(24,449)**	—
Gain on sale of equipment	**20,307**	27,626
Loss on write off of mining property	**(69,550)**	—
	183,410	(266,815)
(LOSS) INCOME BEFORE INCOME TAXES AND EXTRAORDINARY ITEMS	**(379,848)**	302,775
INCOME TAXES	—	28,000
(LOSS) INCOME BEFORE EXTRAORDINARY ITEMS	**(379,848)**	274,775
EXTRAORDINARY ITEMS (Note 12)	**1,564,415**	2,230,597
NET LOSS	**1,944,263**	1,955,822
RETAINED EARNINGS, BEGINNING OF YEAR	**3,357,174**	5,402,996
	1,412,911	3,447,174
DIVIDENDS ON PREFERRED SHARES	**(90,000)**	(90,000)
RETAINED EARNINGS, END OF YEAR	**$ 1,322,911**	$ 3,357,174
(LOSS) EARNINGS PER SHARE (Note 14)		

Edmonton International Industries Ltd.

Consolidated Statement of Changes in Financial Position

Year Ended November 30, 1982

	1982	1981
SOURCES OF WORKING CAPITAL		
Operations		
(Loss) income before extraordinary items	$ (379,848)	$ 274,775
Items not affecting working capital		
Amortization of goodwill and distributor contracts	—	100,000
Depreciation and depletion	295,889	269,640
Deferred income taxes	—	28,000
Share of losses of discontinued and partly-owned companies	—	739,538
Loss on write off of mining property	69,550	—
Gain on sale of equipment	(20,307)	(27,626)
Loss on write off of other assets	47,192	—
	12,476	1,384,327
Proceeds on disposal of investment in Delphi Resources Ltd.	—	198,236
Proceeds on sale of equipment	268,658	173,545
Proceeds on sale of SDS Transport Division	—	254,760
Long-term debt	—	1,384,510
Reduction of notes receivable	117,670	191,016
Reduction in other assets	—	69,861
Recovery of income taxes	—	21,260
	398,804	3,677,515
USES OF WORKING CAPITAL		
Purchase of		
Property and equipment	357,462	1,011,658
Oil and gas properties	398,548	2,018,707
Mining properties	32,781	64,798
Investments and advances	820,975	2,822,688
Reduction of long-term debt	1,436,276	—
Increase in other assets	2,175	—
Dividends	90,000	90,000
Recognition of bank loan guarantees (Note 7)	1,200,000	—
	4,338,217	6,070,851
DECREASE IN WORKING CAPITAL	3,939,413	2,393,336
WORKING CAPITAL, BEGINNING OF YEAR	1,551,187	3,944,523
WORKING CAPITAL (DEFICIENCY), END OF YEAR	$(2,388,226)	$1,551,187

Consolidated Financial Statements Auditors' Report

To the Shareholders of
Edmonton International Industries Ltd.:

We have examined the consolidated balance sheet of Edmonton International Industries Ltd. as at November 30, 1982 and the consolidated statement of loss and retained earnings and of changes in financial position for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these consolidated financial statements present fairly the financial position of the company as at November 30, 1982 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Auditors
February 11, 1983

Deloitte Haskins & Sells

Notes to Consolidated Financial Statements

November 30, 1982

1. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared in accordance with generally accepted accounting policies, and reflect the following policies:

Basis of consolidation

The consolidated financial statements include the accounts of the company and its wholly-owned subsidiaries, Speedway Properties Ltd. and Odyssey Resources Ltd., and its 50% pro rata share of assets, liabilities, income and expenses of SDS Drilling Ltd. (a corporate joint venture). The fiscal year end of SDS Drilling Ltd. is October 31 and accordingly the consolidated financial statements include the financial information of the corporate joint venture up to October 31, 1982. All significant inter company transactions have been eliminated.

Inventories

Inventories are valued at the lower of cost and net realizable value.

Investments and Advances

The company owns 50% of N. Pedersen Transport Ltd. and 33⅓% of the common shares of Reynolds Exploration Ltd. and accounts for these investments on the equity basis whereby the investments are initially recorded at cost and are adjusted to recognize the company's share of after-tax earnings or losses and are reduced by dividends received. All other investments described in Note 4 are carried at cost. When it becomes apparent that a permanent decline in the value of these investments has occurred, the investments are written down to reflect such a decline.

Oil and gas properties

The company follows the full cost method of accounting whereby all costs related to exploration and development of oil and gas reserves are capitalized and are depleted using the unit of production method based on estimated proven reserves.

Mining properties

All costs related to mining properties are accumulated until such time as commercially recoverable ore reserves are proved and production commences, at which time these costs will be amortized using the unit-of-production method. The accumulated costs pertaining to mining properties are charged against income if the property is abandoned.

Property and equipment

Property and equipment are stated at cost. The building and equipment are depreciated on the straight-line and diminishing-balance methods at rates stated in Note 6.

Income recognition

The corporate joint venture (SDS Drilling Ltd.) follows the percentage of completion method of recognizing income from specific projects.

Translation of foreign currencies

Foreign currency accounts in these financial statements are translated into Canadian dollars on the following basis:

(a) Current assets and current liabilities — at the rate of exchange prevailing at the year end.

(b) Non-current assets (and related depreciation and amortization) and non-current liabilities — at the rates of exchange prevailing when the assets were acquired or the liabilities assumed.

(c) Income and expenses (other than depreciation and amortization) — at a rate approximately the rates of exchange prevailing on the dates of the transactions.

(d) Gains and losses on translation of foreign currencies are included in income.

2. JOINT VENTURE OPERATIONS

The following is a summary of the company's share of the operations of SDS Drilling Ltd.:

	1982	1981
Revenue from operations	**$3,219,386**	$4,484,975
Expenses	**3,069,899**	4,060,692
Gain on sale of equipment	**1,785**	27,626
Extraordinary items	**35,302**	56,750
Net income	**39,160**	102,686
Total assets	**3,385,878**	4,025,636
Total liabilities	**2,382,411**	3,099,315

3. NOTES RECEIVABLE

	1982	1981
$100,000 U.S. bearing interest at the bank prime rate plus 2% compounded monthly, payable on demand and secured by certain property	**$122,940**	$117,670
Non-interest bearing and receivable in monthly instalments of $30,686	**—**	308,686
	122,940	426,356
Less current portion	**122,940**	308,686
	$ —	$117,670

4. INVESTMENTS AND ADVANCES

	1982	1981
Related companies		
SDS Drilling Ltd. (a corporate joint venture) Secured debentures, Series B, bearing interest at prime plus 2%	**$ 230,000**	$ 230,000
Reynolds Exploration Ltd. (33-⅓% share interest)		
Shares	**52**	52
Advances	**671,692**	707,277
Net loss at June 30, 1981	**(276,890)**	(276,890)
Write-down of advances as described in Note 12	**(394,853)**	(430,438)
	1	1
N. Pedersen Transport Ltd. (50% share interest)		
Shares	**50**	50
Advances	**991,892**	591,892
Net loss at October 30, 1981	**(469,927)**	(469,927)
Write-down of advances as described in Note 12	**(521,965)**	(121,965)
	50	50
Allwest Petroleum & Industrial Supplies Ltd. (50% share interest, purchased at year-end)		
Shares (less share subscriptions payable)	**—**	—
Advances	**96,642**	—
	96,642	—
Coho Australia Limited (a public company) 160,000 common shares (quoted market value $40,000; 1981 — $44,800)	**123,200**	123,200
Coho Resources Limited (a public company) 109,809 (1981 — 65,828) Class A common shares (quoted market value $576,497; 1981 — $526,624)	**669,058**	329,140
329,542 Class B convertible common shares	**1,718,135**	1,718,135
186,931 9% cumulative redeemable convertible $10 par value first preference shares, Series A, redeemable at par	**1,974,725**	1,974,725
6,876 9% cumulative redeemable $10 par value first preference shares, Series B, redeemable at par	**68,760**	68,760
67,500 9% cumulative redeemable convertible $10 par value first preference shares, Series C, redeemable at par	**675,000**	675,000
61,774 14% cumulative redeemable convertible $10 par value second preference shares, Series A, redeemable at par	**550,800**	—
Warrant		
A warrant to purchase $333,760 Class A common shares	**1**	1
Advances		
$200,000 U.S. non-interest bearing, due March 15, 1984	**239,500**	239,500
Other		
BB&E Corp		
200 common shares	**23,810**	23,810
Subordinated debentures, bearing interest at 9%, due November 30, 1985	**95,238**	95,238
MW Resources Limited		
8,000 15% cumulative redeemable (after June 16, 1983) convertible $10 par value first preference shares, Series A	**80,013**	80,013
2,000 15% cumulative redeemable (after June 16, 1983) convertible $10 par value first preference shares, Series B	**20,000**	—
Osprey Resources Ltd.		
300,000 10% cumulative redeemable convertible $2 par value first preference shares. These shares are redeemable at par and are non-voting unless dividends are in arrears	**—**	600,000
60,000 Class A common shares	**—**	6,000
Warrant to purchase 300,000 Class A common shares	**—**	6,000
Subscriptions payable on above	**—**	(61,200)
	6,564,933	6,108,373
Less current portion of secured debentures	**230,000**	230,000
	$6,334,933	$5,878,373

During the year the investment in Osprey Resources Ltd. was exchanged for 61,774 14% cumulative redeemable convertible $10 par value second preference shares, Series A, of Coho Resources Limited.

5. OIL AND GAS PROPERTIES

Cost	Accumulated Depletion	Net Book Value
$2,580,763	$25,508	$2,555,255

Depletion provided for the current year totalled $14,141 (1981 — $11,367).

6. PROPERTY AND EQUIPMENT

	Cost	Accumulated Depreciation	Net Book Value 1982	Net Book Value 1981	Depreciation Rates
Building	$ 120,486	$ 22,692	$ 97,794	$ 103,934	5% straight-line
Drilling rigs	1,376,489	363,050	1,013,439	1,182,959	7% - 10% straight-line
Drill pipe and accessories	464,958	277,562	187,396	226,186	35% diminishing-balance
Automotive equipment	906,260	299,089	607,171	551,977	20% straight-line
Field equipment	456,441	161,144	295,297	305,536	20% straight-line
Office and shop	32,628	14,541	18,087	22,659	10% straight-line
	3,357,262	1,138,078	2,219,184	2,393,251	
Land	19,976	—	19,976	18,546	
	$3,377,238	$1,138,078	$2,239,160	$2,411,797	

Depreciation provided for the current year totalled $281,748 (1981 — $258,273).

7. BANK INDEBTEDNESS

	1982	1981
(a) Cheques issued in excess of bank balance	$ 56,867	$ 277,087
Operating loans		
At bank prime plus ¾%	500,000	500,000
At bank prime plus ½%	640,151	2,200,707
(b) Demand loans		
At bank prime plus 1½%	800,000	—
At bank prime plus 1%	400,000	—
	$2,397,018	$2,977,794

(a) This bank indebtedness is secured by a general assignment of accounts receivable, an assignment of fire insurance proceeds on inventories, a 14% floating charge demand debenture in the amount of $3,000,000 and a postponement of claim signed by Eltel Holdings Ltd. relating to the $2,500,000 debenture issued by the company to Eltel Holdings Ltd.

(b) During the year the company became liable for payment of loans that it had guaranteed in the amount of $1,200,000.

(i) Loans of N. Pedersen Transport Ltd. — $800,0000

The company had guaranteed 50% of the loans made by the bank to N. Pedersen Transport Ltd. which was placed into receivership during the year. The most recent loan balance outstanding to the bank was approximately $2,000,000, of which the company's share is $1,000,000. Management has estimated the most likely loss on this loan at November 30, 1982 to be $800,000. The remaining $200,000 is shown as a contingent liability as described in Note 9(c) pending a determination of the ultimate proceeds, if any, from the realization of its assets.

(ii) Loans of Reynolds Exploration Ltd. — $400,000

During the year, the company was called upon by the bank to jointly and severally borrow from the bank a $1,200,000 loan to retire in Reynolds Exploration Ltd. a loan in the amount of $1,082,332 plus accrued interest in exchange for security in the remaining assets of Reynolds Exploration Ltd. The company has recorded its share of the $1,200,000 loan as at November 30, 1982 in the amount of $400,000. However, if the other two parties forming part of the joint and several guarantee cannot meet their obligations, or the remaining assets of Reynolds Exploration Ltd. are insufficient to extinguish the debt, then the company would be liable for the remaining $800,000 amount. The remaining amount of $800,000 is shown as a contingent liability as described in Note 9(b).

8. LONG-TERM DEBT

	1982	1981
Bank loans		
At prime plus 1¼%, due in 1986, payable in quarterly instalments of $100,000 plus interest, secured by a first fixed and floating charge on certain assets	**$1,236,500**	$1,536,500
At prime plus ¾%, due in 1987, payable in monthly instalments of $30,000 plus interest, secured by terms as described in Note 7(a)	**1,777,000**	2,610,000
At prime plus 1½%, due in 1982, payable in monthly instalments of $11,450 plus interest, secured by a first fixed and floating charge on certain assets	—	137,500
159,200 Pula (Botswana currency) at 10½%, due in 1983, in monthly instalments of 9,950 Pula plus interest secured by first charge on certain assets of SDS Drilling (Botswana) (Pty.) Ltd.	**43,227**	213,169
10% agreement payable on purchase of business, due January 1, 1987, secured by a floating charge debenture in the amount of $2,500,000 on all of the company's assets and undertakings (see Note 7(a)), repayable in semi-annual instalments of $100,000 each plus interest	**900,000**	1,500,000
Finance contracts and other debt due at various dates with various interest rates, secured by specific equipment	**100,913**	139,247
	4,057,640	6,136,416
Less amounts due within one year	**1,042,500**	1,685,000
	$3,015,140	$4,451,416

Principal amounts due in each of the next five years are as follows:

1983	$1,042,500
1984	985,000
1985	960,000
1986	597,000
1987	473,000

9. CONTINGENCIES

(a) The company is contingently liable as an endorser of customers' notes in the approximately amount of $106,930 (1981 — $1,510,000).

(b) The company is contingently liable as guarantor of Reynolds Exploration Ltd.'s bank loan in the amount of $800,000 (1981 — $1,017,000) (see Note 7).

(c) The company is contingently liable as guarantor of N. Pedersen Transport Ltd.'s bank loans and finance contracts in the amounts of $200,000 (see Note 7) and $290,000 respectively. The finance contracts have been assumed by Allwest Petroleum & Industrial Supplies Ltd.

(d) The company is contingently liable as guarantor of Skyline Exploration Inc.'s bank loan in the amount of $682,972 U.S. (1981 — $713,930 U.S.). Skyline Exploration Inc. is 45% owned by Reynolds Exploration Ltd.

10. SHARE CAPITAL

Authorized
400,000 9% cumulative redeemable convertible preferred shares with par value of $4 each and redeemable at par value
16,500,000 Class B non-participating voting shares without par value
6,000,000 common shares without par value

Issued and fully paid	
250,000 preferred shares	$1,000,000
11,000,000 Class B shares	110,000
3,525,000 common shares	3,462,510
	$4,572,510

11. LOSSES AVAILABLE FOR CARRY FORWARD

No recognition has been made in the accounts for possible tax reductions in future years from tax losses carried forward in the amount of approximately $1,767,000. These losses expire as follows:

1986	$ 657,000
1987	1,110,000
	$1,767,000

12. EXTRAORDINARY ITEMS

	1982	1981
Write off of goodwill and distributor contracts	**$ —**	$1,933,333
Write down of advances to Reynolds Exploration Ltd. — net of net loss at June 30, 1981 (recovery)	**(35,585)**	430,438
Write down of advances to N. Pedersen Transport Ltd. — net of net loss at October 30, 1981	**400,000**	121,965

Gain on disposal of investment in Delphi Resources Ltd.	—	(108,080)
Loss from guarantee of loans of N. Pedersen Transport Ltd. as described in Note 7	**800,000**	—
Loss from guarantee of loans of Reynolds Exploration Ltd. as described in Note 7	**400,000**	—
	1,564,415	2,377,656
Less recovery of income taxes	—	(147,059)
	$1,564,415	$2,230,597

In August 1982, N. Pedersen Transport Ltd. was placed into receivership. The $400,000 represents advances made in January 1982. The collectibility of this amount is considered doubtful.

In July 1982, the company announced that it would discontinue the distribution of Bombardier Inc.'s recreational and industrial products. As a result of this action, distributor contracts and goodwill totalling $1,933,333 were written off.

On November 25, 1981, Reynolds Exploration Ltd. filed a Proposal to Creditors under the Bankruptcy Act. The company wrote down its investment in an advances to Reynolds Exploration Ltd. to a nominal value of $1.

13. REMUNERATION OF DIRECTORS AND SENIOR OFFICERS

Remuneration paid or payable to directors and senior officers amounted to $188,913 (1981 — $185,942).

14. (LOSS) EARNINGS PER SHARE

The basic (loss) earnings per share are based on the weighted monthly average of shares presently outstanding and after deducting the dividend requirement on the preferred shares.

The fully diluted earnings per share are based on the weighted monthly average of shares outstanding which includes the assumed conversion of the preferred shares and before deducting the dividend requirement on the preferred shares.

	Basic		Fully Diluted
	1982	1981	**1982** and 1981
Before extraordinary items	**$(.13)**	$ .05	Not applicable
After extraordinary items	**$(.58)**	$(.58)	Not applicable

15. RELATED PARTY TRANSACTIONS

	1982	1981
Interest paid	**$100,000**	$158,887
Dividends received	**253,388**	282,516
Management fees paid	**40,000**	40,000

The company's oil and gas exploration and development operations were managed by a related company.

16. SUBSEQUENT EVENTS

Included in accounts receivable at November 30, 1982 is $195,980 with respect to the dividend receivable by the company on its investment in the first preference shares of Coho Resources Limited (hereafter called "Coho", see Note 4). On January 31, 1983, Coho paid this dividend by issuing class A common shares to the company at an issue price equal to 98% of the weighted average trading price of the class A shares on The Toronto Stock Exchange for the twenty trading days immediately preceding January 31, 1983.

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